

Medical Assistance Programs Summary

Washington's Medical Assistance Programs constitute the state's major public financing efforts for providing health care coverage to low-income people. In state fiscal year 2001, each month some 800,000 low-income people will receive health care coverage in one of seven medical programs. These programs are administered by the Department of Social and Health Service's (DSHS) Medical Assistance Administration (MAA) at a cost of \$2.6 billion.

The seven Medical Programs include: Medicaid Categorically Needy, Medicaid Medically Needy, Medical Care Services, Medically Indigent, Children's Health Program, Refugee Assistance, and the State Children's Health Insurance Program (SCHIP). These programs are authorized under state law by chapter 74.09 RCW and under the federal Social Security Act by Title XIX for Medicaid and Title XXI for the SCHIP.

Each of the seven programs falls under one of three funding categories: Medicaid, SCHIP, or State only. The Medicaid and SCHIP programs are financed by both the state and federal governments. MAA's share for federal fiscal year 2001 is 50.7% for Medicaid and 65.49% for the SCHIP. State only programs are financed solely by the State of Washington.

Who is covered by Medical Assistance?

Not all low-income residents are eligible to receive health care under Medical Assistance Programs. Eligibility is "categorical." In other words, eligibility is based on family composition, age, pregnancy or disability status - such as low-income children, pregnant women, elderly residents and people with disabilities.

Within federal guidelines, states set their own income and resource eligibility criteria for Medicaid programs and SCHIP. MAA covers Medicaid eligible children up to 200% of the Federal Poverty Level (FPL), SCHIP eligible children between 200% and 250% FPL, pregnant women up to 185% FPL, and elderly clients and people with disabilities up to 81% FPL.

Today over 30% of all children, 13% of the state's entire population are covered by one of the Medical Programs MAA administers. In February 2000, MAA implemented the SCHIP to expand coverage to an estimated 14,000 uninsured children.

Currently (June 2001), MAA offers medical care to a diverse population comprised of:

- 484,329 children
- 143,667 adults in families
- 66,765 elderly persons
- 109,720 persons with disabilities

Although adults and children in low-income families make up nearly 78% of beneficiaries, they account for 49.6% of Medicaid spending (Figure 1). Elderly clients and people with disabilities account for 22% of beneficiaries, but nearly 40% of spending.

What services are covered under Medicaid and SCHIP?

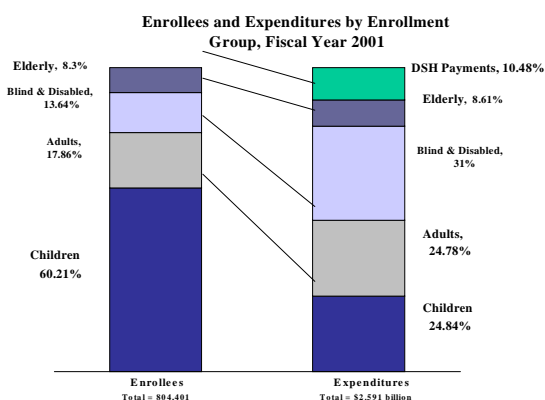
MAA offers a broad range of services for each of the Medical Assistance Programs. The range of services offered far exceed what is federally mandated. Federally mandated services include:

- inpatient and outpatient hospital
- physician, midwife, and certified nurse practitioner
- laboratory and X-ray
- nursing home and home health care for persons over age 21
- early and periodic screening, diagnosis, and treatment (EPSDT) for children under age 21
- family planning
- rural health clinics/federally qualified health centers

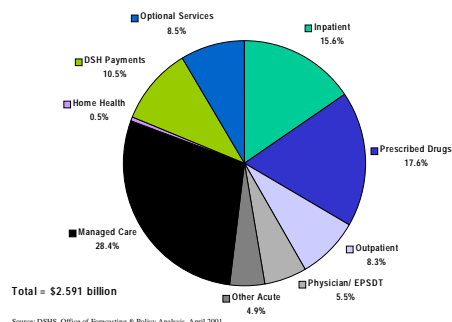
Other optional services that are offered include vision, dental, prescription drugs, clinic services, prosthetic devices, hearing aids, and intermediate care facilities for the mentally retarded (ICF/MR).

Figure 1

Figure 2



Expenditures by Service, Fiscal Year 2001



Of the estimated \$2.6 billion MAA will spend in State Fiscal Year (SFY) 2001 (Figure 2):

- Physician and other Acute care services were 38.8% of spending, including spending on Managed Care Organizations (MCO) premiums.
- Fee-for-Service prescription drugs were 17.6% of expenditures.
- Payments for Inpatient/Outpatient services accounted for 24% of expenditures.
- Payments to hospitals with a disproportionately large population of indigent patients (DSH) comprised 10.5% of total expenditures.

How is care delivered under Medical Assistance?

Clients receive services either through enrollment in the Healthy Options managed care program or on a fee-for-service basis. For Healthy Options, MAA contracts with licensed health insurance carriers to provide a defined set of services to enrolled members. Fee-for-service care is delivered by licensed or certified health care providers who have a contract with DSHS to serve our clients. The fee-for-service program covers services to elderly and disabled Supplemental Security Income (SSI) clients, clients exempted from Healthy Options or in state-administered program, as well as wrap-around Medicaid services not covered by managed care plans.

The majority of MAA clients are enrolled in the Healthy Options managed care program. During Fiscal Year 2001, MAA contracted with 7 health maintenance organizations and health care service contractors to provide needed services. The managed care plans are paid a capitated monthly premium to serve TANF-related families, low-income pregnant women and low-income children.

Providers serve other MAA clients across the state on a fee-for-serve basis. These providers have agreed to accept the

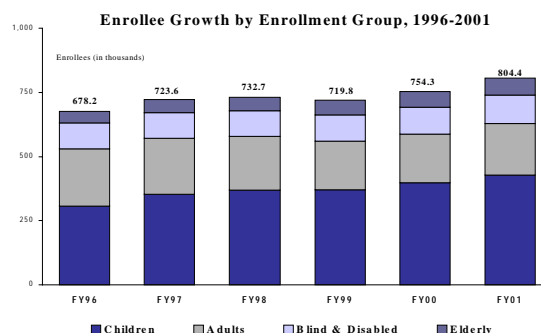
rates established by MAA as total payment for services rendered. They are not allowed to bill clients for any amount above that which they receive from MAA. During Fiscal Year 2001, about 15,000 providers served clients on a fee-for-service basis.

Recent enrollee and expenditure growth

Enrollment in MAA's Medical Assistance programs rose dramatically in the early 1990's. This growth is mostly attributable to several initiatives MAA undertook to expand coverage of low-income pregnant women and young children, as well as increases in blind and disabled beneficiaries.

Since the mid 1990's, enrollment has grown steadily with an estimated 800,000 clients receiving care in Fiscal Year 2001 through one of the seven Medical Assistance Programs (Figure 3).

Medical Assistance Programs are a major budgetary commitment for both the federal and state governments.

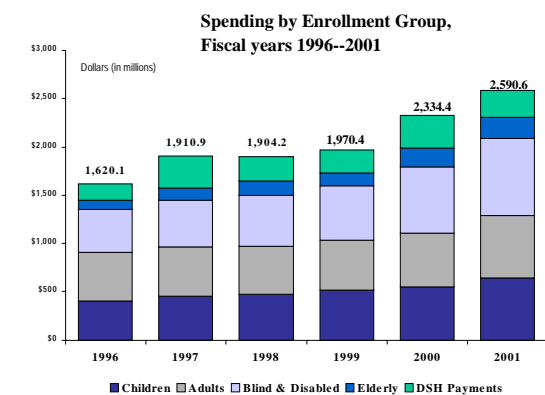


Program expenditures increased in the 1990s due to two key components: health care inflation and an increase in enrollment - mostly due to expansions of coverage for low-income pregnant women and children.

Figure 3

Although the rate of growth in Medicaid spending in the nation is far below historic levels, as reported by the Kaiser Commission – rising only 2.3% from 1995 to 1996, MAA has seen a significant increase in health care expenditures from \$1.6 billion in 1996 to an estimated \$2.6 billion in 2001. This dramatic growth is due, in part, to increased prescription costs, and an increase in the number of disabled persons with conditions requiring more costly services.

Figure 4



Source: DSHS, Office of Forecasting & Policy Analysis, April 2001

Since the late 1980's, Medical Assistance Administration has been a national leader in improving access to health care for low-income persons. MAA was among the first to cover all pregnant women and infants up to 185% FPL and to expand coverage for children under age 19 up to 200% FPL in 1994. MAA also offers one of the most comprehensive benefit packages in the nation. However, with increasing fiscal pressure, MAA will need to develop new strategies to successfully manage and sustain its programs for low-income residents.